Thermo Fisher Scientific DB Pension Scheme (the Scheme)

Defined Contribution Governance Statement

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee to prepare an annual statement regarding governance, which must be included in the annual Trustee Report and Accounts. The governance requirements apply to all defined contribution ("DC") pension arrangements and aim to help members achieve a good outcome from their pension savings.

This statement covers the period from 1 April 2019 to 31 March 2020 and contains the Scheme's governance and charges disclosures in relation to the following:

1. The Default Investment Strategy
2. Processing of core financial transactions
3. Member-borne charges and transaction costs
   3.1 Illustrations of the cumulative effect of these costs and charges
4. Value for Members assessment
5. Trustee's knowledge and understanding

1. The Default Investment Strategy

The Administration Regulations require trustees to comment on the default investment arrangement for their scheme. No contributions have been paid to our Scheme since the relevant Regulations came into force and the Scheme is not a qualifying scheme for auto enrolment purposes, therefore it has no default arrangement, as defined by these Regulations. For this reason, the governance requirements in relation to default investment arrangements do not apply to the Scheme and are not covered in detail in this statement.

2. Processing of core financial transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately. Core financial transactions include the transfer of member funds into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members/beneficiaries.

The Scheme is closed to further contributions and the core financial transactions are undertaken on the Trustee's behalf by the Scheme administrator, Buck.

The Trustee has a Service Level Agreement in place with Buck which includes core financial transactions relating to the DC funds, as well as other administration tasks such as records management; benefits and tax calculations; provision of scheme information, quotes and statements; investments, disinvestments and reconciliations; operation of member helpline and email inbox; reporting to Trustee and regulatory bodies; supporting the Trustee's other advisers on projects such as Valuations and audits; and data protection.

The timescales set out in the Service Level Agreement for core financial transactions are as follows:

<table>
<thead>
<tr>
<th>Task</th>
<th>Timescale to complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers-out</td>
<td>15 days</td>
</tr>
<tr>
<td>Payment of death claims</td>
<td>5 days</td>
</tr>
<tr>
<td>Payment of retirement benefits</td>
<td>10 working days</td>
</tr>
</tbody>
</table>
The Trustee is currently agreeing a service level agreement in respect of fund switches but current practice is that Buck processes these within 5 working days.

Buck has confirmed that there are processes in place for each core financial transaction to ensure they are processed in a timely manner and accurately. An automated daily sales and redemptions report is used to check transactions placed the previous day. As an additional level of scrutiny, Buck also have an internal reconciliations team who independently carry out monthly checks, in addition to daily reconciliation of the Trustee bank account. Buck have internal audit functions in addition to the external audit carried out on the Scheme annually.

Buck reports performance against the Service Level Agreement to the Trustee on a quarterly basis. The reports detail timescales for processing the core financial transactions set out above, as well as other tasks, against the Service Level Agreement. The quarterly administration reports also include details of any formal member complaints. The checks and regular unit reconciliations carried out by the administrators ensure core financial transactions are accurate and timely.

Buck reports administration service performance to the Trustee on a quarterly basis, but reports run from 1 Feb to 30 April, 1 May to 31 July and so on. Administration service performance from 1 February 2010 to 30 April 2020 was in line with Service Levels set out in the contract with Buck and 100% of target delivery times were met for core financial transactions set out above for the Scheme as a whole (not just DC funds). There were also no complaints received from members during this period.

Buck has also confirmed four bulk fund switches were processed during the Scheme year (these were the quarterly fund switches that are made as part of the Matching arrangements, no individual members requested a fund switch). Buck has confirmed that all fund switches were completed within 5 working days.

In the light of the above, the Trustee is satisfied that over the period:

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed Service Level Agreement;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.
14. Chair's statement (continued)

3. Member-borne charges and transaction costs

The Trustee is required to set out the level of charges and transaction costs borne by members through the funds.

These charges and costs comprise:
- explicit charges, such as the Annual Management Charges (AMCs), and additional expenses that are disclosed by the fund manager as part of the Total Expense Ratios (TERs) (explained below under 'Explicit charges'); and,
- implicit transaction costs, such as the costs borne within the fund for activities such as buying and selling of securities within the fund's portfolio.

The Trustee is pleased to confirm that there was no information on transaction costs for the Scheme year that it was unable to obtain for the purposes of preparing this statement, although for the Utmost Life Money Market Fund transaction costs are only available for the 12-month period to 31 December 2019 at the current time.

**Explicit charges**

Members of the Scheme pay only investment costs from their DC funds. Members with additional voluntary contributions (AVCs) pay for investment costs and the cost of the AVC provider administering their policy record.

The explicit charge that members pay from their DCIAVC funds is the TER. This is the total explicit cost of the fund to an investor and includes legal, administration, audit, marketing, and regulatory costs. It is calculated by dividing all expenses paid by the fund over the year by the value of the fund’s assets. The TER for DC funds and AVC funds held by Scheme members are shown in the table below.

**Implicit charges**

Transaction costs are the costs which are incurred within the day to day management of the assets by the fund manager. These cover such things as the cost of buying and selling securities within the fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of the fund.

The way that transaction costs must be calculated for this statement means that they can be negative. This can happen, for example, when buying an asset, if the actual price paid ends up being lower than the mid-market (quoted) price at the time of placing the order, because something has happened in the market that pushes the price of the asset down - such as some negative publicity or a big sell order by someone else.

The charges and transaction costs each member pays have been supplied by the Scheme's DC and AVC fund managers and are set out in the table below.

Where transaction costs have been provided as a negative cost, these have been set to zero by the Trustee.
14. Chair’s statement (continued)

Our fund managers report transaction costs on a quarterly basis therefore the costs below are for the twelve-month period to 31 March 2020, unless specified otherwise.

<table>
<thead>
<tr>
<th>DC Fund</th>
<th>Total expense ratio (% p.a.)</th>
<th>Transaction Costs (% p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifestyle strategy</td>
<td>0.075 to 0.65(^1)</td>
<td>0.0877 - 0.0869(^1)</td>
</tr>
<tr>
<td>BlackRock Aquila Life Over 15 Years UK Gilt Index</td>
<td>0.10</td>
<td>0.01317</td>
</tr>
<tr>
<td>BlackRock Aquila Life 50:50 Global Equity Index</td>
<td>0.15</td>
<td>0.02355</td>
</tr>
<tr>
<td>BlackRock Aquila Life 60:40 Global Equity Index</td>
<td>0.15</td>
<td>0.01806</td>
</tr>
<tr>
<td>BlackRock Aquila Life 70:30 Global Equity Index</td>
<td>0.15</td>
<td>0.03551</td>
</tr>
<tr>
<td>BlackRock Consensus</td>
<td>0.15</td>
<td>0.03087</td>
</tr>
<tr>
<td>BlackRock Diversified Growth</td>
<td>0.65</td>
<td>0.33897</td>
</tr>
<tr>
<td>BlackRock Cash</td>
<td>0.00</td>
<td>0.01144</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AVC Fund</th>
<th>Total expense ratio (% p.a.)</th>
<th>Transaction Costs (% p.a.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equitable Life With Profits</td>
<td>1.0</td>
<td>1.035(^2)</td>
</tr>
<tr>
<td>Utmost Life Secure Cash</td>
<td>0.5</td>
<td>0.07(^2)</td>
</tr>
<tr>
<td>Utmost Life Money Market</td>
<td>0.5</td>
<td>0.008(^2)</td>
</tr>
<tr>
<td>Standard Life Pension 2 With Profits 2</td>
<td>1.15(^3)</td>
<td>0.0824</td>
</tr>
<tr>
<td>Phoenix Life (former Royal &amp; Sun Alliance) With Profits Fund</td>
<td>Not applicable(^3)</td>
<td>0.0</td>
</tr>
</tbody>
</table>

\(^1\) Depending upon term to retirement.

\(^2\) These transaction costs are for the 12-month period to 31 December 2019 as the With Profits Fund closed on 1 January 2020.

\(^3\) These transaction costs are for the 12-month period to 31 March 2020 but they are for the underlying fund; members of the Scheme have only been invested in this fund since 1 January 2020.

\(^4\) These transaction costs are for the 12-month period to 31 December 2019. Utmost Life has not yet published the transaction costs for the 12 months to 31 March 2020.

\(^5\) The charges on these Funds are not explicit, they are taken into account when the provider is deciding on the level of bonus to declare each year. Standard Life publishes an estimate of costs on its website and that is what is shown here, whereas Phoenix Life does not disclose any information about the charges on the former Royal & Sun Alliance With Profits Fund.

3.4 Illustrations of the cumulative effect of costs and charges

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs.

In order to help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided illustrations of their cumulative effect on the value of typical scheme members’ savings over the period to their retirement.
14. Chair’s statement (continued)

The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and are based on assumptions about the future which are set out below under "Notes and assumptions".

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

Notes and assumptions:
1. Projected fund values are shown in today’s terms, and do not need to be reduced further for the effect of future inflation.
2. Inflation is assumed to be 2.5% each year.
3. Values shown are estimates and are not guaranteed, but the age of members and start fund values are representative of the Scheme’s DC and AVC membership.
4. The assumed growth rates (gross of costs and charges) are as follows:
   - DC Lifestyle funds:
     - BlackRock Aquila Life (50:50) Global Equity Fund: 6.7% (4.2% p.a. above inflation)
     - BlackRock Diversified Growth Fund: 4.0% (1.5% p.a. above inflation)
     - BlackRock Aquila Life Over 15 Years UK Gilt Index Fund: 0.3% (2.2% p.a. below inflation)
     - BlackRock Cash Fund: 0.1% (2.4% p.a. below inflation)
   - DC Self-select funds:
     - BlackRock Aquila Life (60:40) Global Equity Fund: 6.7% (4.2% p.a. above inflation)
     - BlackRock Diversified Growth Fund: 4.0% (1.5% p.a. above inflation)
   - AVC funds:
     - U utmost Life Multi-Asset Moderate Fund: 3.5% (1.0% p.a. above inflation)
     - U utmost Life Multi-Asset Cautious Fund: 2.0% (0.5% p.a. below inflation)
5. For the DC lifestyle strategy and the U utmost Life Investing by Age strategy, the projection shows the changing proportion invested in the different underlying funds. The underlying funds are shown above.
6. Where available, the transaction costs have been averaged over a 2-year period in line with statutory guidance to reduce the level of volatility, and a floor of 0% pa has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

DC funds:

We have provided illustrations for an example member from each category of the DC section:

- **Example member 1:** A member of the Life Sciences category with the longest time to retirement (currently age 35) with a retirement age of 65 and an assumed current fund value of £19,703 (which is the median fund value for all members of this category).

- **Example member 2:** A member of the Unemployed category with the longest time to retirement (currently age 41) with a retirement age 65 and an assumed current fund value of £33,178 (which is the median fund value for all members of this category)

We have produced illustrations to demonstrate the cumulative effect of costs and charges on member fund values over time. Projections are shown for the lifestyle strategy in the charts and tables below.

As the projected retirement savings are dependent on investment returns as well as the level of costs and charges, we have also included some comparison figures with other investments in the tables. For comparison purposes, we show the projected retirement savings if the example member was invested in the BlackRock Aquila Life 80-40 Global Equity Index Fund (which has a higher projected growth rate and relatively low charges) and the BlackRock Diversified Growth Fund which has a lower growth rate and higher charges.
14. Chair’s statement (continued)

Example member 1

**Example member one - Lifestyle**

For example, member 1, the impact of the costs and charges on the lifestyle strategy. BlackRock Aquila Life 60:40 Global Equity Index and the BlackRock Diversified Growth Fund on the estimated fund value (EFV) over the term to retirement is shown in the table below.

<table>
<thead>
<tr>
<th>At age:</th>
<th>Lifestyle strategy</th>
<th>BlackRock Aquila Life 60:40 Global Equity Index</th>
<th>BlackRock Diversified Growth Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EFV (before charges)</td>
<td>EFV (after charges)</td>
<td>Effect of charges</td>
</tr>
<tr>
<td>40</td>
<td>20,573</td>
<td>20,542</td>
<td>32</td>
</tr>
<tr>
<td>45</td>
<td>25,146</td>
<td>24,921</td>
<td>235</td>
</tr>
<tr>
<td>50</td>
<td>30,740</td>
<td>30,233</td>
<td>523</td>
</tr>
<tr>
<td>55</td>
<td>35,353</td>
<td>35,007</td>
<td>1,178</td>
</tr>
<tr>
<td>60</td>
<td>40,650</td>
<td>38,496</td>
<td>2,868</td>
</tr>
<tr>
<td>65</td>
<td>40,961</td>
<td>37,123</td>
<td>3,838</td>
</tr>
</tbody>
</table>
For example member 2, the impact of the costs and charges on the lifestyle strategy, BlackRock Aquila Life 60:40 Global Equity Index and the BlackRock Diversified Growth Fund on the estimated fund value (EFV) over the term to retirement is shown in the table below.

<table>
<thead>
<tr>
<th>Age</th>
<th>Lifestyle strategy</th>
<th>BlackRock Aquila Life 60:40 Global Equity Index</th>
<th>BlackRock Diversified Growth Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EFV (before charges)</td>
<td>EFV (after charges)</td>
<td>Effect of charges</td>
</tr>
<tr>
<td>45</td>
<td>38,067</td>
<td>38,715</td>
<td>242</td>
</tr>
<tr>
<td>50</td>
<td>47,620</td>
<td>46,066</td>
<td>844</td>
</tr>
<tr>
<td>55</td>
<td>55,749</td>
<td>55,095</td>
<td>1,653</td>
</tr>
<tr>
<td>60</td>
<td>63,437</td>
<td>59,459</td>
<td>3,078</td>
</tr>
<tr>
<td>65</td>
<td>63,456</td>
<td>67,089</td>
<td>5,795</td>
</tr>
</tbody>
</table>

AVC funds:

In previous years, we have not provided illustrations to show the impact of costs and charges on AVC funds. This is because all AVCs were invested in With Profits Funds, and the fund value is therefore determined by the annual bonus declared by the provider, not the investment return and the level of costs and charges on the fund (though both these factors are likely to have an impact on the annual bonus declared). Since the Equitable Life With Profits Fund closed on 1 January 2020, members of the former Equitable Life AVC arrangement have been invested in unit-linked funds through Ulmmost Life. We have therefore included an illustration to show the impact of costs and charges on an example member of the Ulmmost Life AVC arrangement with the longest time to retirement (currently age 50) with a retirement age of 65 and an assumed current fund value of £4,965 (which is the median fund value for all members of this AVC arrangement).

We have produced illustrations to demonstrate the cumulative effect of costs and charges assuming investment in the Ulmmost Life 'Investing by Age' strategy, as all Ulmmost Life AVC funds will be moved to this strategy by 31 December 2020.
14. Chair's statement (continued)

For the example AVC member, the impact of the costs and charges on the Ulmost Life Investing by Age strategy on the estimated fund value (EFV) over the term to retirement is shown in the table below.

<table>
<thead>
<tr>
<th>At age:</th>
<th>Investing by Age strategy</th>
<th>Effect of charges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EFV (before charges)</td>
<td>EFV (after charges)</td>
</tr>
<tr>
<td>55</td>
<td>5,430</td>
<td>5,230</td>
</tr>
<tr>
<td>60</td>
<td>5,000</td>
<td>5,400</td>
</tr>
<tr>
<td>65</td>
<td>6,380</td>
<td>5,710</td>
</tr>
</tbody>
</table>

4. Value for members assessment

The Administration Regulations require the Trustee to "publish the net charge costs and transactions costs borne by members and the extent to which those charges and costs represent good value for money for members."

There is no legal definition of "good value" and the process of determining this for members is a subjective one. Based on advice from the Scheme advisers, Aon, the Trustee has established a cost-benefit analysis framework in order to assess whether the member borne charges deliver good value for members. The costs borne by members have been identified as the TER and transaction costs as set out in section 3 of this statement. The Trustee has considered the benefits of membership under the following five categories: Administration costs, Scheme governance, Member communications, Investment choices and Retirement support. The Trustee believes the benefits of membership can be financial or non-financial in nature.

- **Administration costs**
  - The Scheme pays the administration costs on DC funds so members pay only investment charges. We believe member-borne charges are competitive when compared to current market rates for similar arrangements.

- **Scheme governance**
  - Scheme governance covers the time spent by the Trustee to ensure the Scheme is run in compliance with the law and regulation, including taking account of the interests of its members.
Chair's statement (continued)

- The Trustee believes that good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Trustee regularly reviews and updates its governance processes and procedures to make sure that the Scheme follows industry best practices.
- Given the governance processes and procedures in place, the Trustee believes the governance arrangements for the Scheme are appropriate.

**Member communications and engagement (including support at retirement)**
- The Scheme provides effective communications that are accurate, clear, informative and timely.
- The communications use a variety of communication media, and the Trustee is currently exploring online support for members.
- Scheme literature is available from the Scheme administrator on request.
- Any Scheme-specific changes or announcements are issued by the Trustee when required.

**Investment choices**
- The Scheme offers a lifestyle strategy and a small range of self-select funds that cover the main asset classes to DC members. The investment funds available have been designed, following advice from the Scheme's investment adviser, with the specific needs of members in mind, and fund performance is reviewed quarterly.
- The Trustee is responsible for the governance of the Scheme's investments. It is expected to review the investment strategy and objectives of the investment options at regular intervals (at least every three years) and to take into account the needs of the Scheme's DC section membership when designing the strategy. The last review was carried out on 25 September 2019.
- The Trustee has recently amended the Scheme's Statement of Investment Principles to detail its policies with respect to environmental, social and governance issues. The latest Statement of Investment Principles for the Scheme, dated August 2019, which governs decisions about the Scheme's investments and is prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 is included in the Appendix to this Statement.

**Retirement support**
- The Trustee considers that the Scheme has suitable retirement support in place which offers members access to support, guidance and information.

Based upon the Trustee’s assessment framework, described above, the Trustee believes that the Scheme has delivered value for DC members in all of the key areas over the period covered by this Statement.

Members can use their AVC funds towards their pension commencement lump sum ("tax-free cash") and thereby reduce the amount of defined benefit pension they commute for tax-free cash. The Trustee considers this option to be a valuable benefit for members. The charges on the With Profits Funds in which AVCs are invested are not explicit and so it is difficult to assess the costs and charges borne by members. We believe it is reasonable to assume members value the smoother investment returns provided by the With Profits Funds. Based upon these factors, the Trustee has concluded that the AVC arrangements do provide value for members. The Trustee plans to review the value provided by the Utmost Life arrangement following the closure of the Equitable Life With Profits Fund, and transfer of policies to Utmost Life.
5. Trustee Knowledge and Understanding (‘TKU’)

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator’s Code of Practice 7.

The comments in this section relate to the Trustee as a body in dealing with the whole Scheme and unless specifically mentioned, are not restricted to the DC section of the Scheme.

Ross Trustees Services Limited (‘Ross Trustees’) is the sole Trustee of the Scheme. The individuals that represent Ross Trustees are experienced pension professionals who act as trustees across a number of different pension schemes and have acted as Trustee of the Scheme for a number of years. These individuals therefore have a significant depth of pension knowledge, which they keep up to date as part of their professional duties, meaning they meet the Pensions Regulator’s trustee knowledge and understanding requirements (as set out under Code of Practice 7).

Ross Trustees has achieved the standards required by the Institute of Chartered Accountants in England and Wales Technical Release AAF 02/07 on its internal controls. Ross Trustees’ compliance with these requirements is audited annually and it maintains the level of training expected from a professional trustee. Since the Scheme year-end, the Chair of the Trustee qualified as a professionally accredited Trustee.

Ongoing evaluation by the Trustee is carried out which considers, amongst other things, the design, systems, security, administration, risk management, advisers and governance of the Scheme and the effectiveness of the Trustee. This includes making sure that the Trustee has appropriate processes in place to ensure it has sufficient knowledge and understanding of:

- pensions and trust law;
- the relevant Scheme documentation, including a working knowledge of the Scheme’s trust deed and rules;
- a working knowledge of the Scheme’s Statement of Investment Principles; and
- a working knowledge of all documents setting out the Trustee’s current policies in respect of the Scheme.

Additionally, Ross Trustees operates a programme of in-house training, which is delivered by subject matter experts, and covers both annual mandatory training (for example, GDPR compliance) and additional training identified by cross-organisational training needs self-evaluations.

In addition to the knowledge and understanding of the Trustee, the Trustee has engaged with its appointed professional advisers regularly throughout the year to ensure it runs the Scheme effectively and exercises its functions properly. The Trustee’s professional advisers also attend all Trustee meetings. Agenda-specific training is provided by the Scheme’s advisers during Board meetings and during the Scheme year, to ensure that the Trustee maintains a sufficient knowledge and understanding of the law relating to pensions and trusts and the relevant principles relating to the funding and investment of occupational schemes. In particular, the Trustee has, amongst other things:

- Received specific training on the following investment matters: Responsible investing for pension schemes, Environmental Social and Governance considerations, Credit Investment options, Investment options - Emerging Market Debt, Hedging, return-seeking assets, Strategic Objectives for investment advisers, LDI - how it works and impact on funding and the impact of COVID-19 on investment markets.
- Undertaken Actuarial Valuation and Investment training, together with training on buy outs and employer covenant.
14. Chair's statement (continued)

- Other updates and training over the course of the Scheme year have included a GDPR update, TPR Toolkit modules, Member disputes, GMP equalisation, Pension Protection Fund and Integrated Risk Management.

Considering the training activities completed by the Trustee together with the professional advice available to the Trustee, the Trustee considers that it meets the Pension Regulator's TKU requirements (as set out under Code of Practice 7) and is confident that the combined knowledge and understanding of the Trustee board, together with the input from its specialist advisers, enables it to properly exercise its functions as the Trustee of the Scheme.

Signed on behalf of the Trustee of the Thermo Fisher Scientific DB Pension Scheme

[Signature]

Chair of Trustee

Date of signing: 24th September 2020